

The MANAGEMENT REVIEW

A.M.A.

Volume XXIV, No. 11

NOVEMBER, 1935

In This Issue

**The Cost to Business Concerns of Compliance with
Tax Laws, by Robert Murray Haig**

Current Comment

Progressive Realism, by M. C. Rorty

The Management Index

Abstracts and Descriptive Notes of Company Activities Including

Financial Management

Production Management

Insurance

Public Relations

Office Management

Marketing Management

Survey of Books for Executives

Government in Business, by Stuart Chase

Job Satisfaction, by Robert Hoppock

The New Imperative, by Walter Lippmann

Hold Fast the Middle Way, by John Dickinson

Income and Economic Progress, by Harold G. Moulton

and others

Published Monthly by the

AMERICAN MANAGEMENT ASSOCIATION

20 Vesey Street

New York, N. Y.

Copyright, 1935

AMERICAN MANAGEMENT ASSOCIATION BOARD OF DIRECTORS

Chairman of the Board—SAM A. LEWISOHN, *Vice-President*, Miami Copper Company.
Chairman of the Executive Committee—ARTHUR H. YOUNG, *Vice-President in Charge of Industrial Relations*, United States Steel Corporation.
President—M. C. RORTY, Lusby, Maryland.

VICE-PRESIDENTS IN CHARGE OF DIVISIONS

Division of Finance and Accounts—MARK M. JONES, *Consulting Economist*.
Office Management—G. L. HARRIS, *Manager of Sales Research and Methods*, Addressograph-Multigraph Corporation.
Personnel—H. B. BARGEN, *Director of Industrial Relations*, The Procter & Gamble Company.
Job Order Production—O. D. RICH, *Vice-President*, Dexter Folder Company.
Mass Production—GLENN GARDINER, *Forstmann Woolen Co.*
Industrial Marketing—C. R. CARY, *Vice-President in Charge of Sales*, Leeds & Northrup Company.
Consumer Marketing—H. W. DODD, *Vice-President*, The Texas Company.
Insurance—J. A. ROBINSON, *Department of Insurance Management*, McKesson & Robbins, Inc.
Chairman Finance Committee—HAROLD V. CORA, *Manager Industrial Department*, Ford, Bacon & Davis, Inc.
Treasurer—JAMES L. MADDEN, *Third Vice-President*, Metropolitan Life Insurance Company.
Executive Vice-President—ALVIN E. DODD, 20 Vesey Street, New York, N. Y.

VICE-PRESIDENTS AT LARGE

W. J. DONALD, *Managing Director*, National Electrical Manufacturers Association.
W. A. GRIFFIN, *Assistant Vice-President*, American Telephone and Telegraph Company.
THOMAS R. JONES, *President*, American Type Founders Sales Corporation.
EARL WHITEHORSE, *Assistant Vice-President*, McGraw-Hill Publishing Company, Inc.
IRWIN D. WOLF, *Vice-President*, Kaufmann Department Stores, Inc., Pittsburgh.

PAST PRESIDENTS

W. W. KINCAID, *Chairman of the Board*, The Spirella Company, Inc.
C. S. CHING, *Director of Industrial and Public Relations*, United States Rubber Company.
F. L. SWEETSER, *Partner*, Stevenson, Jordan & Harrison.
W. J. GRAHAM, *Vice-President*, The Equitable Life Assurance Society of the United States.

Term Ending 1936

EDWARD E. AMES, *Vice-President and Director of Sales*, General Box Company.
H. V. BROWNE, *Manager, Office Standards Department*, The B. F. Goodrich Company.
T. W. DINLOCKER, *Secretary and Treasurer*, SKF Industries, Inc.
DWIGHT T. FARNHAM.
A. B. GATES, *Director of Training*, Eastman Kodak Company.
H. A. GIDNEY, *Comptroller*, Gulf Oil Corporation of Pennsylvania.
C. C. JARCHOW, *Comptroller*, American Steel Foundries.
J. W. OLIVER, *Secretary*, The Linen Thread Company, Inc.
AUGUSTE RICKARD, *President*, The Spool Cotton Company.
S. L. WHITSTONE, *Comptroller*, General Electric Company.

Term Ending 1937

M. J. BRIEN, *Vice-President and General Manager of Sales*, American Radiator & Standard Sanitary Corporation.
CLARENCE G. STOLL, *Vice-President*, Western Electric Company, Inc.
K. G. FULLER, *Manager, Power Use Research Department*, The West Penn Electric Company.
MERLE C. HALE, *Director of Industrial Relations*, General Motors Corporation.
C. J. HICKS, *Industrial Relations Counselors*, Inc.
CHAPIN HOSKINS, *Managing Editor*, *Forbes*.
EDGAR KORAK, *Vice-President in Charge of Sales*, National Broadcasting Company, Inc.
JOHN A. STEVENSON, *Vice-President*, The Penn Mutual Life Insurance Company.
L. C. STOWELL, *President*, The Dictaphone Sales Corporation.
IRWIN D. WOLF, *Secretary*, Kaufmann Department Stores, Inc.

Term Ending 1938

STANLEY P. FARWELL, *President*, Business Research Corporation.
STANLEY P. FISHER, *Assistant to Works Manager*, American Hard Rubber Company.
J. H. MACLEOD, *Vice-President, Sales Division*, Hinde & Duch Paper Company.
W. G. MARSHALL, *Vice-President*, Westinghouse Electric & Manufacturing Company.
HAROLD OETMAN, *President and General Manager*, W. F. Hall Printing Company.
EARL M. RICHARDS, *Chief Industrial Engineer*, Republic Steel Corporation.
GEORGE E. ROGERS, *Insurance Manager*, Robert Gair Company.
I. O. ROYSE, *Manager, Office Production*, Ralston Purina Company.
ERNEST F. RUMPF, *Secretary-Comptroller*, F. C. Huyck & Sons.
EDMOND E. LINCOLN, *Economist*, E. I. du Pont de Nemours & Company.

Executive Vice-President—ALVIN E. DODD, 20 Vesey Street, New York, N. Y.
Editor—JAMES O. RICE, 20 Vesey Street, New York, N. Y.

THE MANAGEMENT REVIEW is published monthly by the American Management Association at 20 Vesey Street, New York, N. Y., at fifty cents per copy or five dollars per year. Vol. XXIV, No. 11, November, 1935. Entered as second class matter March 26, 1925, at the Post Office at New York, N. Y., under the Act of March 3, 1879.

The MANAGEMENT REVIEW

NOVEMBER, 1935

The Cost to Business Concerns of Compliance with Tax Laws*

By ROBERT MURRAY HAIG
*McVickar Professor of Political Economy
Columbia University*

COMPLAINTS regarding the high costs of collecting taxes are as old as taxes themselves. Indeed the early literature of public finance consists largely of such complaints. So important were the early wastes and abuses connected with tax collections that in 1776, when Adam Smith formulated his famous four maxims of taxation, he included, as one of the four, this proposition: "Every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state." In framing this maxim Adam Smith had in mind not merely the cost to the public treasury of administering the tax. He considered other costs as well, including the private costs of tax compliance. Thus he explained:

"A tax may either take out or keep out of the pockets of the people a great deal more than it brings in to the public treasury. . . . By subjecting the people to the frequent visits and the odious examination of the taxgatherers, it may expose them to much unnecessary trouble, vexation, and oppression; and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it."¹

Everyone, I suppose, will agree with Adam that all costs connected

* This paper was presented by the author at the American Management Association Finance and Taxation Conference held at the Waldorf-Astoria Hotel, October 9-10, 1935. It is, in effect, a preliminary report on studies being carried on in connection with tax compliance costs by the Association's Committee on Taxation.

¹ Adam Smith, *The Wealth of Nations* (Cannan's Edition), vol. II, pp. 311-312.

The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

with collection of taxes should be "as little as possible" and that "unnecessary trouble, vexation and oppression" should be eliminated. But everyone will also be forced to concede that no tax can be collected without involving some "trouble, vexation and oppression" and, furthermore, that a low collection cost is not the only objective to be sought in selecting or rejecting a particular form of tax. In other words we have always had, and always shall have private costs of compliance with tax laws, costs which constitute an "invisible tax," to use Mr. J. W. Oliver's phrase, and such costs of compliance must be considered reasonable if they are necessary to achieve the particular objectives of a tax system which the community considers to be of greater value than the costs they occasion.

To the question—"What is the percentage that constitutes a reasonable private cost of compliance?"—there can be no precise answer. Many considerations that vary with time and circumstance enter to complicate the problem. However, if this private cost of compliance had to be covered by a public appropriation, instead of remaining buried without identification in the private accounts of taxpayers, it is safe to say that only a very small percentage would be tolerated as reasonable and necessary.

In recent years several factors have combined to increase greatly the business man's cost of compliance with tax laws; perhaps the most important of these factors are, first, the rapid development of various new and complicated forms of federal and state taxation applying to business—income taxes, franchise taxes, sales taxes, etc., etc.—and, second, the rapid expansion of the area in which many business concerns operate. Complaints have been heard that, in the case of individual concerns, the costs of tax compliance have mounted to levels which seemed entirely unreasonable. But information regarding the size of this invisible tax has been limited almost entirely to the testimony of a few scattered individuals who knew that their own costs were high and who had learned from talking with their friends that they were not alone in their trouble. Practically no data have been available as a foundation for an estimate of the general situation.

It is my privilege to submit a preliminary report of a pioneering expedition into this unexplored territory. The original stimulus of this expedition was supplied by a document prepared by the Taxation Committee of the American Management Association for the consideration of the Lido Conference of a year ago. It will be recalled that the Committee proposed certain changes looking toward the elimination of wastes incident to the simultaneous use by federal and state authorities of the same types of taxes. Whatever may be thought of the wisdom of the specific program suggested by the Committee, no one could fail to be aroused by the vigorous indictment drawn against the present arrangement. If the burden placed upon business concerns in complying with complicated and conflicting tax statutes was

of the general order of magnitude suggested in the report, the situation was indeed one whose continuance could not be contemplated with indifference.

Last October I addressed to Mr. Oliver, the chairman of your Taxation Committee, a letter which contained the following sentences:

"I have been very much impressed in studying the problem of federal-state relations by the lack of data throwing light upon the quantitative importance of the waste of the dual administration of identical types of tax by the federal government and by the states. We are almost entirely without information as to the amount of the waste to the public treasuries and to the taxpayers directly which is traceable to the necessity of maintaining duplicate administrations and preparing duplicate tax returns.

"Because of this great gap in our information, I was particularly interested in the statements made in the report of the Committee of the American Management Association, fragmentary as the information was. I am wondering whether it should not be possible to secure more and better data bearing on these points.

"Do you suppose that it would be possible to secure the cooperation of the members of the American Management Association, through the good offices of your committee, in attempting to gather some facts with regard to this situation?"

Mr. Oliver did find it possible to interest the American Management Association and its Committee in this enterprise, and it was decided to request a substantial number of corporations to supply detailed information regarding their costs of compliance with the tax laws. Several other organizations, notably the National Association of Manufacturers and the Merchants' Association of New York offered their cooperation and support. A modest grant from the research funds of Columbia University¹ was made available to cover the costs of analysing and tabulating the data.

Questionnaires were prepared and distributed to about 1,600 corporations, selected in such a manner as to include concerns in all different lines of business activity roughly in proportion to the importance of the various lines as revealed by the federal income tax statistics. In all 186 replies have been received but only 163 of the questionnaires or approximately 10 per cent of the original sample were filled out in sufficient detail to make it possible to include them in most of the computations. The statistical statements in this paper are based on the information contained in these returns. The analysis of the returns is still in progress and the statements made herein are subject to future revision and modification.

¹ The grant, amounting to \$600, was made by the Council for Research in the Social Sciences of Columbia University. The American Management Association assumed responsibility for the costs of preparing and circulating the questionnaires. The writer desires to acknowledge the invaluable assistance of his friend and former student, Mr. Jacob Kaufman, on whose shoulders much of the labor in connection with this enterprise has fallen.

Before any figures are presented, certain frank observations should be made regarding their possible shortcomings. The sample is small, most of the statements being based on the figures of about 160 corporations. The aggregate annual sales of this group amount to nearly $2\frac{3}{4}$ billion dollars, the average of about \$17 millions. The sample, then, consists of large rather than of small concerns. Again, manufacturing is heavily represented and if the costs of compliance are higher for this line of business activity than for other lines, the sample is not truly representative of the general situation. Furthermore many of the figures are necessarily only estimates and how good these estimates are I do not know. I am merely telling you in my consolidated tables what you have individually told me in your returns; consequently you know how good or how bad some of the figures are, which is more than I know. I have observed, however, that those questionnaires which, by their internal evidence, reveal the least care in preparation are for the most part the returns which show the lowest costs of compliance. I interpret this to mean that those who answered the returns carelessly failed to include many costs which were included by those who worked carefully. I do know that some persons to whom we sent questionnaires received the impression that we were out to "prove a case," because in several instances officers excused themselves for not making a return on the ground that their costs were so low as "not to be of interest to us"! One of my colleagues in the field of public finance wrote me that I must expect all of the estimates to be "plenty large" because of the general eagerness of business men to emphasize the evils of the existing situation. "One falls easily on the side toward which he leans." On the other hand there are influences operating in the opposite direction which may go far toward offsetting the tendency to exaggerate. For example, much of the estimating was done by officers in charge of tax departments who were probably not eager to lay before their chief executives exaggerated figures regarding the costs of their departments lest they stimulate sharp retrenchments. In view of such circumstances as these, as well as others not mentioned, the figures of costs of compliance as given cannot be guaranteed to be truly representative of the costs of the entire field of corporate enterprise in the United States. I am certain that it gives a more accurate picture than has been available thus far and actual contact with the individual returns has led me to the belief that the costs of compliance are understated in more instances than they are exaggerated.

The figures relate to a single year only. Moreover this year, 1934, was a year of low volume, low values and low profits. Percentage relationships between costs of compliance and taxes paid may be substantially lower in a prosperous year. Indeed in the case of certain taxes, such as those based on net income, the percentage is certain to be much lower. In any

single year there may be special circumstances, such as the passage of a new federal revenue act, which may render the figures for that year unrepresentative of the usual situation. Consequently caution must be used in drawing conclusions from the one-year figures here given.

It should be understood that the number of corporations included in the various tabulations varies somewhat because of gaps in information given in the various returns. When reference is made to "typical corporation," the median case has been used. The term "average" is used to denote the simple arithmetic average.

If the sample of 163 corporations is representative of the general group situation, the total cost to corporations of complying with tax statutes, federal, state and local, amounted in 1934 to 2.3 per cent of the total taxes paid.

This figure of 2.3 per cent is much lower than some of the rough estimates which have appeared in recent popular discussion. Ten per cent is the figure that has been widely accepted.

These 163 corporations paid 127 millions in taxes and it cost them nearly 3 millions to prepare their returns and to comply with the various provisions of the tax laws. In the case of federal taxes, costs amounted to 2.85 per cent; in the case of state and local taxes to 1.99 per cent.

The group of 163 corporations filed 31,100 primary tax returns, that is returns used as a basis for determining tax liability (6,368 federal and 24,732 state and local). This is an average of 39 federal and 152 state and local primary returns for each corporation. In addition, the group filed nearly 160,000 information and other reports to the tax officials, approximately a thousand for each corporation.

The comprehensive, all-over figure of 2.3 per cent representing the total private cost of compliance for this group of corporations scarcely begins to tell the story of "trouble, vexation and oppression" traceable to this "invisible tax." When detailed analyses are made according to the size of the business area of the various corporations and according to the types of tax paid, some truly astonishing figures emerge.

There is a wide variation in the weight of the burden of compliance as one passes from one type of tax to another, and curiously enough, the taxes which involve the public fisc in the least expense appear to involve the taxpayer in the greatest expense—and *vice versa*. Several examples will be given.

The income tax has a "low cost of administration," being often collected at a cost of 1 per cent or less to the public treasury; but it apparently involves a very high cost of compliance. Out of our sample, 95 corporations paid a federal income tax in 1934. The typical corporation in this group had an "invisible tax" of 4.7 per cent and 11 corporations had compliance costs in excess of 25 per cent. Again, 76 corporations out of the sample

paid state income taxes (or franchise taxes measured by income); the typical corporation in this group had a compliance cost of 9.5 per cent and 14 out of the 76 corporations had costs in excess of 40 per cent. How greatly these percentages would have been decreased, had we been dealing with a year of prosperity instead of a year of depression cannot be determined, but, in any case, it seems probable that we shall have to revise radically our conception of the income tax as a low-cost tax. Some of the costs for the income taxes of individual states are even more striking. In 45 cases corporations reported that they paid the New York State corporation franchise tax which is based on net income with certain minimum payments. The state received \$367,000 and the corporations paid out \$83,000 or 22.5 per cent to establish the extent of their liability. With 15 cases under the Massachusetts law, the corresponding figure is 16.6 per cent.

As a second illustration, take the property tax, which is considered a rather expensive tax to administer, the cost to the public treasury falling probably between three and four per cent. In our sample, 122 corporations reported payments of state and local property taxes amounting to 50 millions of dollars at a cost of compliance of only \$517,000 or 1.04 per cent. The figure for the typical corporation is 1.2%. Apparently if one considers both public and private costs involved in collection, there is little to choose as between income and property taxes so far as economy is concerned.

Finally, let us consider the sales tax, which lies somewhere between the income tax and the property tax in its public costs of administration, the figure of 2½ per cent being commonly cited as a typical administrative cost. This is the tax which has often been cited as being so simple that it costs the taxpayer little or nothing in "trouble, vexation and oppression." Our returns show that 91 of the corporations paid state sales taxes amounting to approximately 8 million dollars but that it cost these corporations \$291,254 to settle this sales tax liability, a cost of compliance of 3.7 per cent. Numerous individual instances may be cited where it cost the corporation more to comply with the sales tax law than the state received in tax. This places the sales tax on about the same level as the income tax and property tax, when private as well as public costs are included.

Do not these figures suggest that, if this field of private costs of tax compliance were adequately explored, it might bring about a radical revision of the presently-accepted notions of students, business men and legislators regarding the ranking of various taxes with reference to their true economy of administrations?

As an analysis in terms of the types of taxes paid yields suggestive and interesting results, so likewise does an analysis in terms of the extent of the trading area of the various concerns.

If our sample of corporations is typical of the general situation, an

important cause, perhaps the primary cause of the high private costs of tax compliance is to be found in the barrier set up to the extension of the free trading area of our business concerns by the lack of uniformity in state taxes. Let us examine the statistical evidence.

In our sample 124 corporations give information regarding the extent to which their business is local and the extent to which it is interstate. Fourteen corporations out of this group of 124 report aggregate costs of compliance in excess of 10 per cent. Not one of these fourteen concerns confines its business within the borders of one state. Twelve out of the 14 high cost concerns transact practically all of their business (over 80 per cent) in the field of interstate commerce.

Again if one drops the federal taxes out of the picture and concerns himself merely with state taxes and their cost of compliance, the picture becomes even more clear. Among the corporations which stay at home and do not venture beyond their state lines, the typical corporation has a cost of 1.5 per cent. Among the corporations which operate in two or more states, the typical corporation has a cost of 2.5 per cent. The corresponding figure for the corporations which operate in more than 40 states is 5.5 per cent.

If one confines oneself to the costs connected with state corporation income taxes, alone, and deals with the 63 corporations which paid such taxes and gave detailed information, one finds that the typical little pig that stayed home had a cost of compliance of 3.5 per cent, whereas among those that went to market in two or more states, the typical cost was 10.5 per cent.

Finally, as one pages through the individual returns the fact is continually impressed upon one that the hard cases are usually the corporations that are doing business and are paying taxes in many states.

Does this not suggest that, by permitting the present chaotic state tax situation to continue, we are placing a penalty on the extension of trading areas? We take pride in our wide expanse of marketing territory open to cultivation, free and clear of customs barriers. But may we not be erecting, without conscious thought or design, barriers almost as serious in the form of these costs of tax compliance which rise higher and higher as more and more territory is cultivated by the individual business?

Sir James Bryce once remarked that: ". . . in England concrete instances of hardship and injustice are more powerful incitements to reform than the strongest abstract arguments."¹

I suspect that this is as true here as in England. The typical corporation is, after all, a mathematical abstraction. Even though we know that the specific case is not representative of the general situation, it is nevertheless not only interesting but valuable as well to examine some of the "concrete

¹ *Studies in Contemporary Biography*, p. 329.

instances of hardship and injustice," to view some of the horrible examples.

I shall cite five such specific cases which seem particularly interesting. *Case One* is a manufacturing concern with annual sales about 25 million dollars. Ninety-five per cent of its business is interstate and it pays taxes in forty-seven different states. Its business is depressed; it shows no net profit subject to federal income taxation. Its total cost of compliance was not strikingly high, only 3.3 per cent. But in the year 1934 it cost this concern nearly \$8,000 to comply with state income tax laws that in the aggregate netted \$157 to five states. It also cost this concern nearly \$6,000 to pay slightly over \$3,000 in franchise taxes that were not of the income type but which used property or some other factor as a measure of the value of the franchise. This \$3,000 was divided among thirty-five different states. Finally it cost this concern \$5,300 to pay state sales taxes of \$6,400 to fourteen different states.

Case Two is also a manufacturer, ninety-five per cent of whose business is interstate in character. But this is a smaller concern, with total sales of less than four million dollars and a concern with an area of trading more concentrated, involving only thirteen states. Its business has been below normal proportions but was sufficiently good in 1934 to yield a small profit. In the aggregate it cost this concern \$15,400 to pay \$68,000 in taxes, a cost of compliance of 22.6%. It cost \$4,898 to pay a federal income tax of \$2,326. Subject to state income taxes in seven states, it cost \$1,378 to pay an aggregate of \$45 in taxes. Subject to franchise taxes (not based on net income) in eleven states, it cost \$3,579 to pay \$4,128. The payment of \$1,140 in sales taxes to five states cost the concern \$1,467.

Case Three is a ten million dollar manufacturer, depressed but making a moderate profit. About 80 per cent of his business is interstate and his area very widespread, involving thirty-four individual states. In the aggregate, it cost this concern \$38,000 to pay taxes of about \$166,000, a cost of compliance of 23 per cent. It cost \$3,900 to pay state income taxes of \$2,400 to fourteen states; it cost \$3,600 to pay \$8,200 in franchise taxes (of other than the income type) to sixteen states; it cost \$6,000 to pay \$7,400 in sales taxes to twelve states.

Case Four is a very large and prosperous retail establishment, the character of whose business requires it to pay taxes in thirty separate jurisdictions. Its aggregate cost of compliance is slightly over 7 per cent. This concern paid state income taxes to twenty states; it cost nearly \$20,000 to pay such taxes which aggregate less than \$106,000. This concern was liable for franchise taxes; not based on net income, in nineteen states; it cost \$8,450 to pay \$10,018 in such taxes. This concern had to pay miscellaneous unspecified taxes and fees to twenty-eight states; it cost nearly \$40,000 to pay these taxes and fees which amounted to only \$30,500.

Finally, *Case Five* is again a large manufacturer (sales over fifty millions), whose business is chiefly interstate (70 per cent) and whose trading area is wide (involving tax payments to forty-three states). Its aggregate cost of tax compliance is 8 per cent, a high, but not an extreme figure. However, it cost this concern \$10,000 to discharge an income tax liability of \$4,500 to thirteen states. It cost \$7,000 to discharge a franchise (non-income) tax liability of \$4,500 to sixteen states. It cost \$5,500 to discharge a sales tax liability of \$13,200 payable to six states.

Before leaving these specific instances, warning should again be given that they are to be regarded as extreme cases and not as typical of the general situation of business corporations. However, such extreme cases are disconcertingly frequent among corporations with a wide trading area.

Not the least of the rewards of this task proved to be the interesting correspondence it provoked. Many points of significance were pointed out which otherwise would have been missed. Many experiences and complaints, often not directly connected with the costs of compliance, were sent to me.

Some of the letters received indicate attitudes of mind on the part of business men which cannot fail to be disturbing to anyone who has an appreciation of the long and painful history which lies back of our present day practices in the field of taxation.

Our modern complicated tax measures, of course, assume full, even enthusiastic cooperation between the taxpayer and the government. In earlier days when rulers were under no obligation to submit their programs of expenditure to parliamentary bodies for approval, the attitude of taxpayers was usually strongly antagonistic. Under such conditions it was necessary to use crude tax measures and it was prudent to use hidden ones. The development of representative government and of democracy created the first real opportunity to utilize effectively types of taxes which require for their successful administration a high degree of cooperation from the taxpayer. Only after the control of the public purse had been placed in his hands was the taxpayer willing to make the disclosures and declarations that are necessary for the proper assessment of property and income taxes of the modern type.

In very recent times, a growing disparity between the patterns of distribution of political power and taxpaying liability consequent to the wide extension of the suffrage and the development of highly progressive taxes has raised the question of the general attitude of the taxpayer in a new and interesting form. Some of the letters received in the last few months indicate that certain recent developments in the legislative field, particularly the procedures followed in the Congress of the United States in connection with the passage of the Revenue Act of 1935, have profoundly shocked the faith of some of our business men in the good faith and integrity of our

legislative bodies. I quote, by permission, from a letter from Mr. J. F. Lincoln, president of the Lincoln Electric Company of Cleveland, Ohio:

"It seems to me the fundamental difficulty . . . is this:—you are starting out with the supposition that the people who make the tax laws are reasonable human beings and are both understanding and fired by the idea of doing the best thing for the country. In this you are exactly wrong. They are fired by one ambition and one ambition only and that is to be re-elected to office and if sacrificing anything will make it possible for their re-election they would sacrifice it and would work it out in some way so they would consider it a virtue that they did it that way. If you prove to the law givers that what they are doing is a mistake, you have not made any progress. You must go further than this to prove to them that in eliminating this mistake they will be more apt to be re-elected to office, and it would seem to me that would be the place where most of your work should go because I think there you will have a fairly difficult job."

How far this expression is symptomatic of a general feeling among business men, I do not know. My only comment is this: if a business man can sincerely hold a view such as this regarding the character of our legislative bodies and that if, by their conduct, the Congress of the United States and our state legislatures have deserved such criticism as that quoted, our affairs have indeed come to a serious pass. If, through selfishness and ignorance, our legislators have impaired the confidence of the taxpayer in their good faith and integrity they have destroyed something which is inestimably precious, namely the very foundation for that cooperation without which no course of action is possible except to return to early jungle methods of taxation.

At the outset I described this paper as a preliminary report of a pioneering expedition into unexplored territory. By this time it must have become apparent that this preliminary report is little more than the press interview that the explorer gives as his returning vessel first drops anchor in its home harbor. Until there has been an opportunity for further checking, analysis and study, nothing can be said on such important questions as these: (1) What do the data offer as a foundation for an estimate of the aggregate cost of compliance with all tax laws by all the taxpayers in the country? (2) What do the data indicate regarding the magnitude of interstate commerce as compared with intrastate commerce and the importance of the discrimination against local business under a system of state sales taxes which fails to reach interstate sales? (3) What savings may reasonably be anticipated from various types of readjustments in federal-state financial relations? It is hoped that the data, when further analyzed, will throw considerable light upon these questions.

It is certainly not the function of this paper to consider the relative

merits of various proposals to correct the situation revealed by the study. Its task is more modest; it contents itself with an attempt to ascertain whether or not there is a substantial basis for the complaints of unreasonable costs of tax compliance which are steadily increasing in volume. This conclusion seems to be clearly indicated; the existing system, with its endless variations, complications and duplications in federal and state taxing methods, involves "unnecessary trouble, vexation and oppression" for the taxpayer sufficiently substantial in amount to justify a serious effort to secure reform. The business men of the country should see to it that the problem of reform is intelligently and vigorously attacked.

* * *

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF MARCH 3, 1933,

of *The Management Review*, published monthly of New York, N. Y., for October 1, 1935.
State of New York, } ss.:
County of New York, }

Before me, a Notary Public in and for the state and county aforesaid, personally appeared J. O. Rice, who having been duly sworn according to law, deposes and says that he is the Editor of *The Management Review* and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation, etc.), of the aforesaid publication, for the date shown in the above caption, required by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—American Management Association, 20 Vesey Street, New York City.

Editor—J. O. Rice, 20 Vesey Street, New York City.

Managing Editor—None.

Business Manager—Alvin E. Dodd, 20 Vesey Street, New York City.

2. That the owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding one per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a firm, company, or other unincorporated concern, its name and address, as well as those of each individual member, must be given.)

American Management Association, 20 Vesey Street, New York City.

M. C. Rorty, President, Lusby, Maryland.

James L. Madden, Treasurer, 1 Madison Ave., New York, N. Y.

Alvin E. Dodd, Executive Vice-President, 20 Vesey Street, New York, N. Y.

3. That the known bondholders, mortgagees, and other security holders owning or holding one per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication, sold or distributed through the mails or otherwise, to paid subscribers during the months preceding the date shown above is required from daily publications only.

J. O. RICE,
Editor.

Sworn to and subscribed before me this 20th day of September, 1935.

(Seal)

IRMA MULLER

(My commission expires March 30, 1936.)

Current Comment

PROGRESSIVE REALISM

THERE is an often quoted saying of an English statesman to the effect that the best government is that by the conservatives when they are badly scared by the radicals. In political and social progress, as this statesman might have said, the conservatives know, but often fail to act, while the radicals act, but usually fail to know.

However, in each of those social and economic groups which make up our population, there is always to be found a substantial element of progressive, informed, and foresighted realism, which is neither radical nor reactionary in its thinking or in its approach to practical problems. The basic task of statescraft, in times of stress and political fluidity, is to mobilize and make use of these elements for constructive progress.

Prior to the onset of the present crisis, these progressive realists saw the need for that continuing change and evolution which marks any soundly developing society—but their counsels went very generally unheeded by reason of a widespread unwillingness to tamper with the active, even if largely artificial, prosperity which then obtained.

During the earlier stages of the chaotic popular outburst which resulted from the distress of the depression, the counsels of these same progressive realists were even less heeded than before—and at this point came their lowest ebb of confidence in the future of American institutions. They had no illusions as to the delicate balance by which democratic government is maintained. They had read Lord Macaulay's prediction that, in some great future crisis, the mob spirit in America would rule, while grass grew wild in the streets of its great industrial and commercial cities. And many of them in great measure had resigned themselves to the verification of that gloomy forecast.

More than a year ago, however, the confusion of business and industrial reactions to the new problems of the crisis began to yield to a crystallization of expert and business thinking. The pressure of circumstances brought forward a high type of

leadership in many business and industrial conferences, and from this leadership came the elements of concerted thought on the problems of business recovery and economic reconstruction.

This leadership is not of any one man, or of any small group, but of many groups in many diversified fields. Nevertheless, it is essentially single minded, just as it is wholly progressive and public spirited. The average American knows true leadership when he sees it, and the basic change from pessimism to optimism in informed circles during recent months has come very largely from the rapidity with which the press and the public as a whole have consciously or unconsciously responded to the messages which this leadership has put forth.

This crystallization of informed thinking is essentially non-political. It has its political aspects only in so far as it represents a factor which all political parties must recognize. The fact that it is being, and may continue to be, recognized was illustrated in striking fashion at the recent conference of this Association on the corporate problems arising under recently enacted Federal statutes.

Press reports of the formal papers could give only a superficial impression of the real significance of this meeting. To those who were present, the most illuminating and encouraging feature was the absolute frankness of the discussions which took place between the assembled business and industrial representatives, the technical experts, and the representatives of regulatory authorities who were present. Even beyond this frankness was the evidence as to the mutual confidence which prevailed among those who took part in the discussions and as to the common effort which they were making to find practical and progressive solutions for the various problems which confronted them.

As a strictly professional society, the American Management Association has no special policies to advocate, and indulges in no organized propaganda. It exists wholly to serve its own membership and to further the progress of the art and science of management. Nevertheless, in conferences such as that just held, the services rendered to the membership of the Association may readily be overshadowed by greater service rendered to the cause of sound national progress.

M. C. RORTY.

Current Comment

PROGRESSIVE REALISM

THERE is an often quoted saying of an English statesman to the effect that the best government is that by the conservatives when they are badly scared by the radicals. In political and social progress, as this statesman might have said, the conservatives know, but often fail to act, while the radicals act, but usually fail to know.

However, in each of those social and economic groups which make up our population, there is always to be found a substantial element of progressive, informed, and foresighted realism, which is neither radical nor reactionary in its thinking or in its approach to practical problems. The basic task of statescraft, in times of stress and political fluidity, is to mobilize and make use of these elements for constructive progress.

Prior to the onset of the present crisis, these progressive realists saw the need for that continuing change and evolution which marks any soundly developing society—but their counsels went very generally unheeded by reason of a widespread unwillingness to tamper with the active, even if largely artificial, prosperity which then obtained.

During the earlier stages of the chaotic popular outburst which resulted from the distress of the depression, the counsels of these same progressive realists were even less heeded than before—and at this point came their lowest ebb of confidence in the future of American institutions. They had no illusions as to the delicate balance by which democratic government is maintained. They had read Lord Macauley's prediction that, in some great future crisis, the mob spirit in America would rule, while grass grew wild in the streets of its great industrial and commercial cities. And many of them in great measure had resigned themselves to the verification of that gloomy forecast.

More than a year ago, however, the confusion of business and industrial reactions to the new problems of the crisis began to yield to a crystallization of expert and business thinking. The pressure of circumstances brought forward a high type of

leadership in many business and industrial conferences, and from this leadership came the elements of concerted thought on the problems of business recovery and economic reconstruction.

This leadership is not of any one man, or of any small group, but of many groups in many diversified fields. Nevertheless, it is essentially single minded, just as it is wholly progressive and public spirited. The average American knows true leadership when he sees it, and the basic change from pessimism to optimism in informed circles during recent months has come very largely from the rapidity with which the press and the public as a whole have consciously or unconsciously responded to the messages which this leadership has put forth.

This crystallization of informed thinking is essentially non-political. It has its political aspects only in so far as it represents a factor which all political parties must recognize. The fact that it is being, and may continue to be, recognized was illustrated in striking fashion at the recent conference of this Association on the corporate problems arising under recently enacted Federal statutes.

Press reports of the formal papers could give only a superficial impression of the real significance of this meeting. To those who were present, the most illuminating and encouraging feature was the absolute frankness of the discussions which took place between the assembled business and industrial representatives, the technical experts, and the representatives of regulatory authorities who were present. Even beyond this frankness was the evidence as to the mutual confidence which prevailed among those who took part in the discussions and as to the common effort which they were making to find practical and progressive solutions for the various problems which confronted them.

As a strictly professional society, the American Management Association has no special policies to advocate, and indulges in no organized propaganda. It exists wholly to serve its own membership and to further the progress of the art and science of management. Nevertheless, in conferences such as that just held, the services rendered to the membership of the Association may readily be overshadowed by greater service rendered to the cause of sound national progress.

M. C. RORTY.

THE MANAGEMENT INDEX

Abstracts and News Items

GENERAL MANAGEMENT

Federal Legislation in 1935

It is pointed out in this memorandum that with the important exception of the Securities Exchange Act of 1934, most of the laws enacted by the 73rd Congress represented temporary or emergency legislation. Some permanent changes were made in existing laws, but the purpose was primarily to meet conditions brought about by the depression, it is declared further. The 74th Congress abandoned, to some extent, the emergency theory and embarked upon a program of permanent laws representing an extension of federal authority, the study says, and cites the National Labor Relations Act, the Social Security Act, and the Public Utility Act as examples. *Special Memorandum No. 10*, National Industrial Conference Board, Inc., October 9, 1935. 21 pages.

"Business: Stick Out Your Chin and Fight"

Under ideal conditions, the Chairman of the Board, General Foods Corporations says, the legislative bodies would be free from pressure of all kinds and would serenely go about their law-making using their independent judgments concerning the welfare and happiness of the people. But so long as pressure groups are determined to exercise their influence, "I maintain that the business interests of this country must also organize so that their voice can be heard in the halls of Congress in respect to proper and constructive legislation."

And so Business should go to Washington, "not with its hat in hand; not apologizing for its 'impertinence' in even suggest-

ing disagreement; not 'yessing' the Administration publicly and damning it privately," but backed by stockholders, employees and customers.

Unless business interests are willing courageously to stick out their chins and assert their rights, the author concludes, the country is headed by regimentation. By E. F. Hutton. *Forbes*, October 1, 1935, p. 8:2.

The Ethiopian Crisis

The British assertions that they have special interest in the political and economic development of Ethiopia are based on the fact that two-thirds of Ethiopia adjoins British territory, and that any disturbance in Ethiopia is likely to affect the native population of the British Sudan, Kenya, and Somaliland. Also, the source of the Blue Nile is in the Lake Tana territory of Ethiopia. The British Sudan and Egypt would be economically crippled by any diversion or interference with the flow of the Blue Nile. Further a considerable portion of the internal trade of Ethiopia is in the hands of the inhabitants of the British Sudan and Somaliland. Great Britain, as a colonial power in Africa, must protect the independence of the only African free state in order to prevent dissatisfaction and uprisings among natives throughout Africa.

Italy claims it must expand or explode, and that under several treaties Ethiopia belongs exclusively to the Italian sphere of influence. The only railroad in Ethiopia is owned by a French company. Japan is interested in Ethiopia because it is the

chief source of Ethiopian imports, and because it looks to a further development of economic relations. *National Industrial Conference Board Monthly Bulletin*, October 10, 1935, p. 73:6.

Business—The Guinea Pig

Business, although not entirely convinced, says the writer, president of General Foods Corporation, nevertheless went along with the Government's experiments as long as it was feasible. "Delusions" he says, "we have suffered aplenty since March of 1933."

The man on the street—in the form of the owner of a small grocery store, a New Jersey hardware merchant, the man behind

the counter of a delicatessen store, a widow with a few shares of stock and a cottage, a shoe-shine man, a railroad man, a pushcart peddler, etc.—is quoted in this article. From his talks with all of these the author concludes, "I am persuaded that these currents of opinion are indicative of the fact that, when properly informed, the people of this country will prove unwilling to pay tribute to spendthrift politicians who take and largely squander one-third of all that our combined toil and labor can produce." By C. M. Chester. *Boston Conference on Distribution, 1935*, sponsored by Retail Trade Board, Boston Chamber of Commerce. P. 28:4.

FINANCIAL MANAGEMENT

The Functions of the Accountant in Coordinating Operations and Finances

Many business men, including some accountants, are of the opinion that the only function of the accountant is to see that the books which he checks are accurate and honestly kept. This, says the author, is merely the foundation for his true function—the interpretation of records in order to guide the future policies of the business.

This Certified Public Accountant states that if the work an accountant does "will not show the client how his costs and expenses can be reduced or his revenues can be increased," he is being overpaid. Some principles of accounting are illustrated, as guides in determining whether a business program or policy is wise or not. By Alexander S. Banks. *The Certified Public Accountant*, September, 1935, p. 521:4.

Revenue and Progress

Taxation, says Dr. A. A. Berle, Jr., always has a double importance. It raises revenue. It also produces social effects. The call for taxation for revenue purposes only, he remarks incidentally, "comes with an extremely bad grace from certain groups in the country who have for years agitated

taxation—mainly in the form of tariffs—for purposes which have little if anything to do with the state of the Treasury."

Speaking of the current income and inheritance tax program, the author states that it is obviously not meant for revenue, and discusses the arguments for and against the sociological effects of an attack on "bigness." Finally he says: "While the Tax Act of the past Congress may not be thoroughly defensible either as a measure of revenue or of social progress, *per se* it has served one purpose the importance of which cannot be overestimated. It has brought the topic of taxation into general discussion; it has slowly forced a general realization that eventually the bills must be paid; that they will be paid out of taxation; and that eventually everyone will have to share the load. From the point of view of straight political engineering, a very strong case can be made for the Tax Act."

The sales tax, he says, produces revenue with relative lack of pain, but bears little relation to any ability to pay. It takes "say, a week's pay away from the laborer or stenographer; and two or three days' pay away from the boss. To the first two this means going without meat for dinner

every once in awhile; or cutting down the lunch allowance from a quarter to fifteen cents. To the boss it means very little." "The justification, if any, for a sales tax can only be whether it is *complementary*—that is, whether a system of taxation has been designed to cover all classes of the population. Then, conceivably, a scheme might be worked out by which the better favored groups pay through income and inheritance taxes; the less favored groups share through sales taxes."

Of the corporation tax, he says: "The social policy of the Act offers very real hope; but the Act as passed can only be regarded as having broken first ground in a very stony field. An infinite amount of time, thought, work and research must go forward in order to make this form of taxation effective without producing injustices at many points." By A. A. Berle, Jr. *Survey Graphic*, October, 1935, p. 469:6.

How the Dollar Was Undermined

"Or Price Stabilization by the Federal Reserve System" is the sub-title of this pamphlet by the president of the Century Electric Co., St. Louis.

It is stated on the cover that the writer shows: How an artificial price level resulted from eight years of price stabilizing; how, in the collapse, the dollar lost 41 per cent of its value; how, subject to the same treatment, the 59-cent dollar can but be likewise despoiled in due course; how the depression, which is likely to cost the nation more than the World War, is the result of obstructing supply-and-demand control of prices.

The pamphlet employs numerous charts throughout. By E. S. Pillsbury. Century Electric Company, 1935. 32 pages.

State Bank Failures in Michigan

The discussion in this study centers around the question: "Why did 163 Michigan state banks fail while 411 remained open during the period January 1, 1930, to February 11, 1933?" It is pointed out

that prior to the banking holidays of 1933, banks not only in Michigan but in every other state of the Union experienced an ever-increasing mortality that evidenced weaknesses in our banking structure. The author's analysis of the Michigan situation isolates and examines these weaknesses. It is based statistically on a detailed breakdown and examination of state bank portfolios and other investments at the beginning of 1929. The author makes comparisons between the 1929 conditions of banks which later closed and the conditions of those which remained open. By Robert G. Rodkey. *The University of Michigan School of Business Administration*, 1935, 169 pages.

Features of the Revenue Act of 1935

No effort is made to cover in this article all the features and changes in the New Revenue Act. Reference is made only to those provisions which have attracted the most general attention. According to the author, the chief interest in the legislation lies not so much in the technical novelty of the provisions thereof as it does in the circumstance that some of these provisions involve departures which are new in the direction of social controls through taxation. The Act possibly marks a point of departure in the Federal system of taxation, or it may mark the point at which the American people are turning back.

The author speaks of the Act as an amendatory statute, and says that anyone working with all its aspects will require a knowledge of at least the 1926 and all subsequent revenue acts.

This Act, he says, has been construed by some "as a definite departure from the regulation of large business enterprises to a penalization of big business, an announcement of the conviction that 'Bigness is badness.'"

"Interestingly enough," he states further on, "the tax on 10 per cent of the total corporate dividends and the non-realization of gain on liquidation of subsidiaries, are inducements to the very 'bigness' which

the policy of the bill appears to penalize. The inducements offered by these features are for the parent corporation to dissolve the subsidiary and absorb its business, making the parent company larger than ever."

In view of the conditions which surrounded the passage of the 1935 Act, the author states "it is hardly likely that there will be any further substantial tax legislation by the Congress until after the national elections of 1936." By George Maurice Morris. *Trust Companies*, September, 1935, p. 223:8.

State Unemployment Insurance

In this article are explained the provisions of the New York State Unemployment Insurance Act, benefits from which will begin January 1, 1938. An eligible unemployed person will be entitled to re-

ceive 50 per cent of his full-time weekly wages, but he may receive no more than \$15 nor less than \$5 per week, nor may he receive more than one week of benefit for each 15 days of employment during the preceding 52 weeks, but in any consecutive 52 weeks he may not be paid more than 16 weeks of benefit payments. The author wonders what will be the effect on the credit and the credit policies of the United States in the future, if, as is prescribed by the Federal Social Security Act, the monies collected by the states under their unemployment insurance laws are turned over to the Federal government to be invested by it, along with funds collected under other provisions of the Social Security Act, in United States securities. By Leo Matersdorf. *Credit and Financial Management*, October, 1935, p. 12:4.

Insurance*

A New Insurance Buyers' Magazine

With the October issue of the *Insurance Post*, we have a change in editorial policy of the publishers which aims to produce monthly a medium of unprejudiced information, specifically related to buyers' problems—to provide for the exchange of ideas and experience to the end that all interested parties, buyers, sellers, and underwriters, will be brought together, in closer harmony. It is published by the Insurance Post Publishing Company, Chicago, Illinois.

The first issue is devoted almost exclusively to the future trends in insurance protection to meet modern business needs, covering such subjects as: What is the future of insurance, the insurance manager and his broker, the all-risk policy, and use and occupancy policies due for revision.

Every buyer of insurance who wishes to keep in touch with latest developments will find this periodical of great value, providing the avowed policy of the publishers is carried out, and there is no reason to believe they will not be realized because

the new venture has been preceded by much deliberate research. The time is past when insurance protection can be obtained in full measure, without careful study and preparation—business operations have been widely extended, involving many new hazards, making it necessary for buyer and seller alike to keep in touch with national insurance progress.

Product Liability Insurance Needs Growing

Product Liability Insurance is a line that is developing with considerable uncertainty, with insurance companies rather cautious of accepting risks. There is a considerable demand for protection where food stuffs are involved, and it is implied that many concerns who manufacture and distribute other commodities are in need of similar protection. While it has been quite well established that a manufacturer is liable to a consumer, or even a bystander, there is another and very technical problem which involves retailers or handlers. Some courts

* Insurance abstracts are contributed by P. D. BITTERLEY, Assistant Treasurer, Graton & Knight Company.

have worked out a principle of a guarantee of fitness, therefore, the retailer is held liable to the consumer.

A case is cited where a company decided to drop its product liability policy because it considered the \$500 premium a needless expense. Then came a certain decision with heavy verdict, and the company urged the insurance carrier to continue the risk, and consented to pay a \$15,000 premium, if the underwriter would issue the policy. *The Casualty Insuror*, October, 1935, p. 1:2.

Constitutionality of Mutual Insurance on Public Property

A California Supreme Court decision on the foregoing subject may be of major importance in all states. It was contended that a political sub-division was not authorized to lend its credit to a corporation by becoming a stockholder. The Court held that the mutual fire insurance company issues no stock to the policyholder. Adding that where the assessments are limited to a definite sum or a multiple of the original insurance premium, there is no pledging of credit. The lending of credit, if any, is by the insurance company to the

public body because it requires only one-fifth payment of the maximum contingent liability. It was pointed out that leading text writers have reached the same conclusion, upholding the validity of such insurance. *Journal of American Insurance*, September, 1935, p. 22:1.

The Comprehensive Policy

The trend in recent years has been toward a broadening of the insurance contract, simply because we couldn't make a fifty-year-old contract fit into modern conditions. Fire policies of the future will be broad in form, and will cover us for all the risks outside the casualty field that we may be subject to in our particular calling. Insurance of the future is going to mean service to policyholders. The article shows in an interesting manner, the developments of the present complicated fire insurance policy, points out that basic fire policy laws were an attempt to unify practices in the various states and protect the public, but there is need for revision, to meet modern conditions. *Journal of American Insurance*, September, 1935, p. 13:4.

OFFICE MANAGEMENT

A Pension Plan for Small Banks

One of the immediate effects of the Social Security Act, says the writer, is to place the problem of pension or retirement insurance squarely up to each employer and each employee. "For small banks, and those not so small, but with less than 50 employees, the questions then are: Is any plan, other than the Federal plan, available whereby pensions may be provided for employees? If so, are they satisfactory as to provisions and are they workable? The answer to both questions is that bankers can find very satisfactory plans if the law permits."

As an association of institutions the banks in Oregon with less than 50 employees had three proposals submitted from outstand-

ing insurance companies. They chose the one submitted by the Aetna Life Insurance Company of Hartford. The details of the plan with several tables are given and a comparison is made between it and the Federal plan.

Judging from the interest this plan has stirred up, the author feels that others will follow the example of the Oregon Bankers Association. By T. P. Cramer, Jr. *Banking*, October, 1935, p. 16:3.

The Distribution of Information

The majority of people today are obliged, for vocational or other purposes, to acquire a certain minimum of specialized knowledge in one or more fields, and to keep this knowledge up-to-date. This article criti-

cizes the means by which this demand is now met, with special emphasis on the limitations of the printed volume, which is more suited for the preservation than the distribution of knowledge. The ideal source of information is not the magnum opus but the flexible filing cabinet. The author envisages a universal distribution service, providing simple and convenient units of printed information, based on an empirical analysis of the demand. By C. A. Mace. *The Human Factor*, October, 1935, p. 339:11.

How Business Forms Safeguard Managerial Time

A systematic forms policy enables an executive to give more attention to larger administrative problems. In the days before large institutions were founded, the chief executive had a thorough knowledge of his business through his personal contacts with every employee and every function of the various departments. Gradually, however, as businesses grew and expanded into other territories, the need for a policy which would cover the work formerly accomplished by executives in small business units became apparent. With the adoption of a system of forms communications the larger and less wieldy personnel structure has now become as efficient as the one-man business of yesterday. Forms have simplified the complexities of big business and have reduced the hazards necessitated by remote control operations. This article is based on information supplied through the Hammermill Survey of Business Practice conducted by the Hammermill Paper Company. *Office Management*, September, 1935, p. 12:3.

Towards More Scientific Employee Selection

The policy of substituting ascertained facts for hasty, ill-considered opinions in determining the suitability of a given applicant for a given post is gaining rapidly, according to Mr. Rowntree of Rowntree & Company Ltd., York, England. This is

due, he believes, to the disastrous effect of haphazard methods of selections. He describes some of the unusual tests employed in his organization for more than ten years that have been successful in accomplishing their purpose: putting the right man in the right job. By B. Seebohm Rowntree. *Executives Service Bulletin*, Metropolitan Life Insurance Company, October, 1935, p. 1:3.

Clerical Employment—Women vs. Men

The subject is presented as a social problem affecting employment and promotion prospects in clerical occupations. The discussion is based on government statistics which show that clerical employment is attracting an increasing number of persons but also that the increase in this employment among females has exceeded that of males. Unemployment also is greater among male white-collar workers than among female. The author shows the relation of these facts to the increased mechanization and routine nature of office work and discusses the social problems thus created for employers of clerical workers. By D. M. Stevenson. *Life Office Management Conference*, October, 1935. 17 pages.

It Pays Cadbury's to Pay for Employees' Suggestions

Over thirty-two years ago Cadbury Brothers Limited of Bournville, England, put into operation a system whereby the suggestions of their employees were solicited, painstakingly considered for their value, and then acted upon. That the system, inaugurated in 1902 and slowly evolving itself into a really fine thing for all concerned, has been highly successful is readily confirmed by the executives now in charge of the suggestion department. In the last six months of 1934, 352 suggestions were successfully applied out of a total number of 1,650 suggestions received. In cases where suggestions have been accepted the immediate payment of a half crown is made. Final prizes are judged on the merit and resulting benefit to the firm, and range from small rewards up with no act-

ual limit to the amount likely to be paid, although until the present the largest award has been £100. In addition prizes are often awarded for ingenuity and originality even when the suggestion in question has not been put into action. By R. E. Walters. *Office Management*, September, 1935, p. 14:3.

Getting the New Employee Off on the Right Foot

An important start for a newcomer in a company, and especially a large company,

is to make him feel welcome and introduce him to his fellow workers. Then supply him with an office manual explaining the rules and regulations of the company. Every business, large or small, needs a program which will steer the thinking of the new worker in the right direction. A number of companies find it worthwhile to hold monthly meetings of supervisors, managers, etc., in order to improve the quality of training and supervision. By L. E. Frailey. *American Business and System*, October, 1935, p. 33:4.

PRODUCTION MANAGEMENT

General: *Promotion, Organization, Policy, Development*

Six Ways to Step Up Profits

How diversification, product development, improved marketing methods, new educational plans, specialty selling and better distributive systems have succeeded in bringing thirteen well-known industrial companies into the profit column is described in this article. By John Allen Murphy. *American Business and System*, October, 1935, p. 29:7.

Rationalization of the Management of Companies Under a Merger

This paper describes a merger and subsequent rationalization of a group of companies involving a capital of 1,000,000 pounds and employing some 5,000 persons. Written by the Deputy Chairman, Renold and Coventry Chain Co., Ltd., the article describes the standardization of product and concentration of manufacture; the unification of accountancy and other systems, and of employment conditions; the elimination of overlapping in selling arrangements, and so on.

The last section examines the financial results and attempts to assess the savings made, the initial cost of achieving them, and the effects on the cash position. The savings are shown to have been substantial, but to have accrued only gradually. In the

fourth year of the merger, the savings per annum are about equal to the total of the initial costs. By C. C. Renold. From the *Proceedings of the International Congress for Scientific Management*, Development Section, London, 1935, p. 37:9.

Controlling Costs and Operations of Business Automobiles

This study presents the findings of a survey of the practices of 53 companies engaged in a variety of enterprises throughout the country. It considers such subjects as: Should the company or the employee own the car? In what form should reimbursement for expenses be made? What are some of the predominating policies with relation to financing new cars, insurance, trade-ins, personal use of cars?

The survey disclosed that opinion and practice concerning whether business cars should be company- or employee-owned are about equally divided. It disclosed also that there are three major methods of reimbursement for expenses: (1) Company repays actual expenses; (2) Company extends a flat allowance fixed either on the basis of mileage or time; and (3) Company establishes a sliding scale with variations in rate depending upon differences in distance traveled, in territories, or in types

of road. The first of these three methods generally is used by companies whose policy dictated company ownership; 17 of the 18 companies reporting in detail on this point used the actual expense method. The other two methods apply in companies in which the employees use their own cars on company business. Details of the flat and scale allowances are given in the report, broken down for type of industry. *Policyholders Service Bureau, Metropolitan Life Insurance Company, 1935.* 34 pages.

How Equipment Manufacturers Provide Against Inadequate Specifications in Customers' Orders

"What methods are used by manufacturers, particularly machinery manufacturers, to obtain the necessary details regarding customers' orders so that the goods when shipped will meet the customers' requirements?" A limited survey revealed the fact that this is a problem of industry and that more or less standardized methods of solving it are in use. They are grouped here in

four general classes: 1. the direct contact method, through personal calls or correspondence, 2. the contract method, 3. the data sheet method, and 4. the "text book" catalogue method.

The report describes how these various methods are used, quoting from interviews with representative manufacturers. The third method is illustrated through the reproduction of four typical specimen data sheets; the master parts list and the octuple order form used by other companies, each designed to prevent misinterpretation and error, are reproduced. Prepared by *Policyholders Service Bureau, Group Insurance Division, Metropolitan Life Insurance Company, 1935.* 19 pages.

Job Classification Service

This bulletin gives samples of the service of the Occupational Information Department in providing job information and classification. *Occupational Information Bulletin No. 5.* New York State Employment Service, September 18, 1935. 10 pages.

Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration

Material and Labor Costs Involved in the Construction of a Large Apartment Building

Nearly one-third (32.49 cents) of every dollar spent in the construction of Knickerbocker Village was paid to the workers on the job. The remainder of the dollar went for the purchase of materials (42.40 cents) and overhead expenses and profit (25.11 cents). Knickerbocker Village is an apartment building, providing accommodations for 1,593 families, which was erected with the aid of a Federal loan. In order to test the work-creating possibilities of building construction, the Bureau of Labor Statistics made an analysis of the expenditures for each process, the results of which are given in this issue. The proportion paid for labor varied widely in the various classes of work, ranging from 1.62 per cent for the installation of equipment

such as refrigerators and gas ranges to 84.79 per cent for engineering and supervision. More than half of the outlay for lathing and plastering, painting and decorating, and weatherproofing went to the workmen. By Bernard H. Topkis. *Monthly Labor Review, September, 1935,* p. 541:11.

Cost of Accidents to Railroad Employees, 1932

The indemnity paid to railroad employees injured in accidents growing out of their employment averaged \$645 in 1932. This was the average award in 18,699 cases closed out with payment. For minor disabilities these workers received an average of \$173, for major disabilities \$4,473, and for death \$4,561. Minor disabilities comprised 89 per cent of the total number accidents. Train accidents were compen-

sated for at a considerably higher rate than non-train accidents—\$1,050 as against \$342, for all types of accident and modes of settlement combined. For death cases the indemnity in train accidents averaged \$5,306 as compared with \$2,950 in non-train accidents. Nearly 80 per cent of all the cases closed with payment in 1932 came under the Federal Employers' Liability Act. By Otto S. Beyer and Edwin M. Fitch. *Monthly Labor Review*, September, 1935, p. 552:7.

Management Problems Involved in Large-Scale Production of Telephone Equipment

In this paper the vice-president in charge of manufacturing operation of the Western

Electric Company emphasizes, as a major management problem, the value of employing sound labor relations policies. He describes a formula of employer-employee relationships applied over a period of years.

Methods of developing an efficient employee body and training supervisors in the discharge of their managerial functions, and in the interpretation of management policies are outlined. Finally, the author describes the procedures by which executive control of the results of the business is accomplished and the plans employed in measuring the effectiveness of management policies. By William F. Hosford. From the *Proceedings of the International Congress for Scientific Management*, Development Section, London, 1935, p. 152:5.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

\$200,000,000 Thrown Away

This is an outline of the main points at which waste occurs in the printing ordered by business corporations, owing to the fact that such printing is planned without reference to the techniques and standards of the printing industry. A plan is suggested for printing control installed by printing engineers but maintained by the organization itself. By Frank M. Knox, Pittsburgh, 1935. 15 pages.

Rebuild Prosperity With Improved Machinery

Those who have been contending that machines have catapulted the world into the present depression and that if their use and invention increase, the whole nation will find itself out of a job will doubtless be challenged by this article by the president of the National Machine Tool Builders' Association, who claims that the machine "is far more likely to be the cure than the cause of the ills of the world."

The machine age has not as yet arrived, according to Mr. Stilwell, and there has never, even in our palmist days, been a

state of general overproduction in America. Those who claim that the machine has reached its apex of use, he continues, have their eyes fixed upon highly mechanized industries. They fail to appreciate that it is not what we have but what we have not that determines the future possibilities of machine utilization.

The machine age will not reach its maturity until the average man is able to satisfy all of his needs and many of his wants. And that time, although, it is pointed out, we are reaching toward it, has not yet arrived in America. By C. J. Stilwell. *The Iron Age*, September 5, 1935, p. 21:8.

What Fatigue Does to Output

The author, superintendent, Time Study Department, Westinghouse Electric & Manufacturing Company, describes the theoretical progress of fatigue in this manner: "Analysis and personal experience indicate that output builds up during the first half hour or so of the working day as the worker gets into his stride. At the very start there is quite likely to be a mus-

cular or mental stiffness resulting from the fatigues of the day before, and this stiffness must be worked out before the worker can reach the peak of his productive ability.

"When he has once reached his peak he should be able to continue to produce at his maximum rate until he begins to experience exhaustion of his bodily and mental resources. Then his output should begin to decrease, until at the end of the working period it has fallen off appreciably." The effect of fatigue on output is charted for both the morning and afternoon.

Actual studies, he states, show that individual differences are very great and that there are too many exceptions to prove the rule. In making allowance for fatigues the author says: "The most satisfactory way devised up to the present time for handling the problem of fatigue allowances and rest periods seems to be to add a percentage allowance to all time values in recognition of the fatigue element and then to allow the operator to arrange his rest periods to suit himself." By G. J. Stegemerten. *Factory Management and Maintenance*, September, 1935, p. 381:4.

For Once-in-a-While Jobs, Too

Although it is generally conceded that motion analysis is profitable on jobs of large activity, the impression seems to prevail in some quarters that it has no value on jobs of low activity, or where quantities are small enough to prohibit large expenditures for tools or automatic equipment.

MARKETING MANAGEMENT

Rural Buying Revives

The author gives all the signs which indicate that the depression is over in West Buffalo, northwest of Buffalo in southeastern Kansas. The farmers, feeling confidence in the future of agriculture, are investing in the equipment and improvements they have needed for so long, and

The Westinghouse Electric & Manufacturing Company had to reduce labor costs on certain jobs without making large expenditures for tools and without disturbing the earning power of the operators. Motion analysis, to determine the one best and economical way to do the job, solved the problem. By G. W. Wehrle. *Factory Management and Maintenance*, October, 1935, p. 418:2.

Keeping an Eye on Your Equipment Investment

However highly developed, machine tools are not to be thought of as complete in themselves, but as part of a manufacturing system. They are "tools," and their maximum effectiveness depends upon many details beyond the sphere and control of the machine designer. Department layout, servicing of machines, good lighting, safe operation, adequate lubrication and many other factors directly affect production and, therefore, return on the machine investment.

In this article, the chairman of the Factory Equipment and Practice Committee of the General Electric Co. discusses single-versus general-purpose equipment, internal transfers and replacements, replacement as a result of technical obsolescence, replacement due to normal causes, maintenance of manufacturing equipment, machine card records, automatic oiling, factory lighting, cleansing schedules, and departmental budgets. By A. C. Danekind. *The Iron Age*, September 5, 1935, p. 34:12.

stores are prospering. "A moderate but steady stream of money is flowing out of the locality to factories in the East."

The author continues: "The orders for goods that are being placed by countrymen in this area are about typical, I think, of rural buying over the Midwest. In some sections blessed with better crops the vol-

ume is larger. But farther west, on the Great Plains, where the drought has been severe for two years, the distribution of fabricated products over the countryside still is at a low ebb."

The improvement is not entirely due to AAA activities, in fact, he says, "there is but little demand here for a better level of agricultural prices. Thinking farmers usually believe that in the present stage of national financial recovery the markets for most of the products we grow are high enough." By F. B. Nichols. *Printers' Ink*, October 10, 1935, p. 15:3.

Avoiding Waste in Marketing New Products

This article is based on an address delivered before the Pittsburgh Conference of the National Industrial Advertisers Association and describes some of the 1,000 important problems which should be given consideration before development and marketing work is started on new industrial products. By O. C. Holleran. *Industrial Marketing*, October, 1935, p. 17:3.

The Relation of Packaging to Consumer Acceptance

The "Zero Hour" is described here as "that crucial moment in the retail store when the manufacturer's package shakes hands with the consumer or doesn't shake hands."

These days, says the author, promotion manager, Du Pont Cellophane Company, Inc., when there are many different products and even more brands, when the customer goes to the movies, plays, golf, etc., and hasn't much time to plan her purchasing, the "Zero Hour" recurs more and more frequently, and "impulse" buying accounts for a large number of sales; therefore packaging and display are most important factors.

"The only way to find out whether a package is good or not is to go to the retailer who is going to distribute it, and to the consumer—the one who is going to pay the money. The retailer will help you in deciding technical aspects of the unit. Most

important though is the consumer. . . . Then, by all means give her an opportunity of proving what she said by conducting a preliminary sales test. Let her say with dollars what she said with words." By M. C. Pollock. *Boston Conference on Distribution, 1935*, sponsored by Retail Trade Board, Boston Chamber of Commerce, p. 48:3.

The Influence of Design in Marketing Machinery

Here the vice president in charge of sales of the Lyon Metal Products, Inc., gives a few examples of what new design has done for machinery sales. He states that improved design makes possible immediately a new interest in your product; new talking points and features; increased enthusiasm by salesmen; new economies of manufacture (hence a possible lowering of price though a better product is offered); a paradise for the advertising manager—new copy, new ideas, new illustrations, more consideration for appropriations from the front office; new profit possibilities; new aggressive campaigns by sales executives. By Frederick B. Heitkamp. *Industrial Marketing*, October, 1935, p. 21:2.

The Influence of Improved Design on Marketing Strategy

Four men speaking for transportation, architecture, household equipment and machinery at the annual conference of the National Industrial Advertisers Association, emphasized the fact that improved design of industrial products will step up sales and materially aid the marketing effort, provided designing has been done to build in greater utility and not mere beauty. Buyer acceptance must be considered before artistic effect. *Industrial Marketing*, October, 1935, p. 13:3.

Unit Sales and Consuming Power

The president of Dry Goods Economist is convinced that "we would have been farther out of the depression had it been possible to enable people to buy two items

for every one they have purchased, rather than to have paid twice as much money for one item." He advocates price leveling as a means of increasing unit sales and after giving several illustrations from various kinds of department store selling, he arrives at this definition of price leveling: "Price leveling is the determination of a price which the greatest number of people can pay and are willing to pay for your merchandise"; and again, "Price leveling is arriving at the one price of the price line which has the greatest possibility of unit sale." By Ernest C. Hastings. *Boston Conference on Distribution, 1935*, sponsored by Retail Trade Board, Boston Chamber of Commerce, p. 58:4.

How to Build Foreign Trade

In this interview James D. Mooney, president of the American Manufacturers Export Association, and vice-president of General Motors in charge of overseas oper-

ations, outlines some steps to revive foreign trade. He scoffs at the old bugaboos of cheap Japanese labor, and points out that since 1933 we have been selling to Japan far more than we have been buying, which was never the case during the 1920's. In the abnormally low period of 1933, we sold Japan \$143,000,000 worth of goods and bought only \$128,000,000 worth.

He advocates: 1. raising all the farm produce we can, selling all we can at home and abroad, at world gold prices; 2. reducing tariffs by expanding the program of reciprocal trade agreements, on the unconditional most-favored-nation policy; 3. learning that price pegs cannot hold and that we must yield inevitably to the law of supply and demand; 4. promoting the creation and exchange of wealth in every way possible, since the world has a real shortage of food, clothing and other goods. By C. D. Frazer. *Forbes*, October 15, 1935, p. 12:3.

Books Received

"In God We Trust"—and Why Not? By William H. Ridgway. W. A. Wilde Company, Boston, 1935. 118 pages. \$1.00.

Is Industry Decentralizing? By Daniel B. Creamer. University of Pennsylvania Press, Philadelphia, 1935. 105 pages. \$1.00 (paper).

The Municipal Year Book 1934. Edited by Clarence E. Ridley and Orin F. Nolting. International City Managers' Association, Chicago, 1934. 256 pages. \$4.00.

The State of the Soviet Union. By Joseph Stalin. International Publishers, New York, 1934. 96 pages. 75 cents.

Do We Want Fascism? By Carmen Haider. John Day, New York, 1934. 276 pages. \$2.00.

The Depreciation of Capital. By R. F. Fowler. P. S. King & Son, Ltd., London, 1934. 143 pages. 6s.

Whither Latin America? By Frank Tannenbaum. Thomas Y. Crowell, New York, 1934. 185 pages. \$2.00.

Statistical Year-Book of the League of Nations, 1934-1935. World Peace Foundation, New York, 1935. 314 pages. \$3.50.

The 1932 Campaign. By Roy V. Peel and Thomas C. Donnelly. Farrar & Rinehart, Inc., New York, 1935. 242 pages. \$1.50.

Trading Under the Laws of Great Britain. By Walter Jaeger. United States Government Printing Office, Washington, 1935. 170 pages. 15 cents.

Field Tactics for Salesmen. By J. C. Aspley. Dartnell Corporation, New York, 1934 (fourth edition). 116 pages. \$1.00.

Cost Accounting for Control. By Thomas H. Sanders. McGraw-Hill Book Company, New York, 1934 (second revised edition). 517 pages. \$4.00.

The Growth of the Federal Government 1915-1932. By Carroll H. Woody. McGraw-Hill Book Company, New York, 1934. 577 pages. \$5.00.

Elements of Statistics. By H. T. Davis and W. F. C. Nelson. The Principia Press, Inc., Bloomington, Indiana, 1935. 424 pages. \$4.00.

If You Want to Get Ahead. By Ray W. Sherman. Little, Brown, New York, 1934. 186 pages. \$1.50.

A Social Basis of Education. By Harold Saxe Tuttle. Thomas Y. Crowell, New York, 1934. 589 pages. \$3.00.

Sensible Programming. By L. A. Timmerman. Rough Notes Company, Indianapolis, 1934. 207 pages. \$2.00.

The Municipal Year Book, 1935. Edited by Clarence E. Ridley and Orin F. Noltling. International City Managers' Association, Chicago, 1935. 392 pages. \$4.00.

The Nature of Dividends. By Gabriel A. D. Preinreich. Published by the Author, New York, 1935. 226 pages. \$2.50.

Survey of Books for Executives

Job Satisfaction. By Robert Hoppock. Harper & Brothers, New York, 1935. 303 pages. \$3.50.

A publication of The National Occupational Conference, this book gives the results of an intensive research into the extent and causes of occupational discontent. It includes studies of employed and unemployed adults in numerous occupations, it analyzes various factors that affect job satisfaction, and presents the results of a survey of job satisfaction in a typical American manufacturing village.

The author says that available evidence indicates that the proportion of workers who are dissatisfied with their jobs is probably less than a third. A person, he believes, may be satisfied, dissatisfied, indifferent, or uncertain. He may be satisfied with some aspects of his job and dissatisfied with others; he may combine such specific satisfactions and dissatisfactions into a composite satisfaction with the job as a whole. Such satisfaction may vary from day to day, and it may be rationalized; it is not identical with interest. He points out that the mechanics of satisfaction may eventually be explained by physiological chemistry, but external stimuli in the job situation will probably help to determine the result. Complete satisfaction, he adds, may be impossible and undesirable.

New Hope, Pennsylvania, which is the town intensively studied in this volume, is

the subject of analysis. A comparison of the book with Lynds' "Middletown" shows the principal difference to lie in the fact that this new work focuses attention on the problem of people's attitude toward their work, and on the possibilities of interest in work under present conditions.

Transportation by Water. By Emory R. Johnson, Grover G. Huebner and Arnold K. Henry. D. Appleton-Century Company, New York, 1935. 585 pages. \$5.00.

The authors of this volume believe that each of the four major kinds of transportation renders a distinct service. To some extent, it is admitted, these services are competitive, but in large measure they are complementary. The authors point out that the coordination of the transportation facilities is yet but partial, but when that is fully accomplished the services and the agencies that employ them will provide a unified transportation system of maximum efficiency, each part doing that which it is best fitted to perform.

The point of view adhered to in the treatise is that transportation by water is first of all a great business enterprise employing facilities of many kinds and having its intricate problems of service, administration, competition and rate-making. It is held that water transportation is secondarily a business regulated and aided by the government. Three-fourths of the volume is

devoted to the facilities, services, agencies and tariffs—to the business of transportation by water—and one-fourth to government regulation and aid, or to public policy toward shipping.

The book is the outgrowth of other books by the same authors, especially "Ocean and Inland Water Transportation" which was published in 1906, and its successor "Principles of Ocean Transportation" which appeared in 1918.

The Arts of Leisure. By Marjorie B. Greenbie. McGraw-Hill Book Company, New York, 1935. 274 pages. \$2.50.

This treatise on the various modes of leisure inquires into the detail that comprises the life of amusing oneself. The book is a lazy rambling anatomy of the loafer's art.

"If we are not now so enslaved to mass interests, it is only because we have less money," the author says at one point, "and these beasts can eat money. What is meant by the 'new leisure' is partly more time, and partly less money. The minute you have money, there is some tremendous mass interest to gobble you up. But if you have no money as a bait, you may be left alone for a few hours, and those hours are your 'leisure.' Having nothing to go to the movies with, or to belong to the country club with, you may, for the first time in your life, find yourself doing what you really want to do."

The New Imperative. By Walter Lippmann. The Macmillan Company, New York, 1935. 52 pages. \$1.25.

In this book Mr. Lippmann discusses "the permanent New Deal" in an effort to discover whether the many experiments of the past six years are merely a response to a passing emergency, or whether they signify lasting changes in the relation between government and the economic order. He considers the new principles and new functions of government common to both Mr. Hoover and Mr. Roosevelt and concludes that we may assume that we are in the presence of a change due to historical forces

that transcend individuals and parties and their articulate programs.

He contends that our break with the past occurred not in March, 1933, when Mr. Roosevelt was inaugurated, but in the autumn of 1929 when, with the collapse of the post-war prosperity, President Hoover assumed the responsibility for recovery, and a radically new conception of the functions of government was established. He concludes with the statement that "because our economy has become too rigid to readjust itself by individual action, it will henceforth be a normal function of government to attempt to regulate the business cycle."

Thus under the compulsion of the crisis a new imperative has been forced upon government—to hold itself responsible for the maintenance of the standard of living prevailing among people. Practice has preceded theory.

Diet and Physical Efficiency. By Howard W. Haggard and Leon A. Greenberg. Yale University Press, New Haven, 1935. 180 pages. \$3.00.

The authors of this volume believe that the quantity and the quality of food have received a great deal of attention in recent years, but that diet in relation to time has not received the attention it deserves. This volume, therefore, is a study of the influence of the frequency of meals upon physical efficiency and industrial productivity. The attempt is made to discover and formulate the principle of the best mealtime interval, and the importance of this principle is emphasized by the fact that on the same amount of food the industrial output of factory operatives may be as much as ten per cent greater under one mealtime arrangement than under another.

Land Accounts. By Walter Mucklow. American Institute Publishing Co., Inc., New York, 1935. 290 pages. \$3.50.

The entire range of problems arising in the preparation and audit of land companies is covered by the author whose earlier volume "Real Estate Accounts" is well known. His new book is more com-

prehensive in scope than its predecessor. The developments in accounting science, the changed condition of the real estate markets, the present scheme of local and national taxation, and other matters are treated.

The study of the real estate business during a "boom," when so-called "sales" amounting to millions of dollars were effected by firms between the rising and setting of the sun, is, says Mr. Mucklow, something like examining an object through a high-powered microscope; all details are magnified and there are found to be some conditions which require special examination or treatment.

Salesmanship. By Charles H. Fernald. Prentice-Hall, Inc., New York, 1935 (revised edition). 541 pages. \$5.00.

This volume treats with completeness the whole general field of selling, discusses a multitude of angles and will serve as a standard work on the subject. The author has tried to broaden the readers' vision through the application of principles to a wide variety of products, over as wide a territory as possible and under all the varying conditions in the complete business cycle.

Government in Business. By Stuart Chase. The Macmillan Company, New York, 1935. 296 pages. \$2.00.

What should be the division of power and responsibility among the different elements of our economic civilization? Where does business end and where does government begin? "The public interest and traditional rights of private property are locked in gigantic combat of which no man can clearly see the end. . . . The New Deal is but a single engagement on a world-wide battle front. In Russia the forces of private income-producing property are in disorderly retreat, but in all other industrial nations the struggle is grim and unremitting."

"Advocates of private business" says Mr. Chase, "are apparently convinced that the wholesale slide towards collectivism is the work of 'agitators,' of reds, of borers

from within. . . . If private business really desires to retain power in the future, its advocates had best forget about . . . the reds, and concentrate on the march of tangible events. It is not with a few personalities that they must come to terms, but with a maelstrom of impersonal, historical forces."

After giving much data and discussion on this situation, Mr. Chase suggests the following program: "first, keep afloat; then clear the road to straight-forward control through revision of the Constitution; then wage and hour regulation for all industry, but differentials for local conditions; then improvements in agricultural controls; then a long-term policy for money, credit and the banks; then income taxes and revolving funds of public credit to finance public works and jobs for everyone not otherwise employed; then the control of power, natural resources, monopolies in essentials; then public business for railroads or textiles or whatever other industries can no longer pay their way."

World Marketing. By V. D. Collins. J. P. Lippincott Company, Philadelphia, 1935. 327 pages. \$2.50.

A popular treatise providing instruction and guidance for the world trader. It is not written for the merchandisers of one commodity alone but for the merchandisers of any commodity that may be sold abroad. The author tells how one can tap the vast multi-billion dollar world markets in the most efficient way. He urges American enterprise to awaken to the immediate necessity for the adequate development that the world market affords for increased sales and profits.

Dwight Morrow, a Biography. By Harold Nicolson. Harcourt, Brace and Company, New York, 1935. 409 pages. \$3.75.

This biography of Dwight Morrow is written by an Englishman, who admits that his efforts to portray the life of the great American may seem hazardous and impertinent. The author points out that he

has approached Dwight Morrow from the human, or universal side, rather than from a national, or particular, point of view.

Mr. Nicolson, who is also the author of "Portrait of a Diplomatist," has written what is declared to be an authoritative biography and a vital chapter in the history of world affairs.

Dwight Morrow was born in Huntington, West Virginia, in 1873. He entered Amherst College in 1891 and, upon graduation, studied law in New York. For fifteen years he distinguished himself as a lawyer. With the outbreak of the War, his partnership with J. P. Morgan and Company brought him increasing responsibility until in 1918, he was recognized as a man of remarkable powers and vision. In the years that followed, through his work in Cuba, on post-war reconstruction, the London Conference in 1930, and finally his achievement in Mexico, the character of Dwight Morrow steadily emerged. At the very height of his career, in 1931, he died.

Income and Economic Progress. By Harold G. Moulton. The Brookings Institution, Washington, D. C., 1935. 191 pages. \$2.00.

This book is the last volume in a series of four studies devoted to an analysis of the distribution of wealth and income in relation to economic progress. The present volume draws together the lines of analysis developed in the three underlying studies into a positive statement of national economic policy designed to bring about a better distribution of the national income and a more rapid and steadily maintained rate of economic progress.

Japan's Policies and Purposes. By Hiroshi Saito. Marshall Jones and Company, Boston, 1935. 231 pages. \$2.50.

The Japanese Ambassador has said that since the World War "the people of the leading nations have come to expect, as they have a right, to be informed of what their governments are doing," and accordingly he tells what the policies and purposes of his country are. The Ambassador

says that he feels free to speak because "the overwhelming interests of the two peoples are in the maintenance of the existing good and profitable relations between them," and because he has confidence in the good will of Americans when they understand a situation.

Of Japan's international trade he says: "To the necessity of the removal of excessive trade barriers, thus advocated by Great Britain and the United States, Japan is an ardent subscriber. She also believes in the liberty of trading as an important prerequisite of world economic recovery. With her economic power, Japan is confident that she can through freer trade contribute a good deal to the advancement of human well-being and progress."

Organizing and Financing Business. By Joseph Howard Bonneville and Lloyd Ellis Dewey. Prentice-Hall, Inc., New York, 1935 (revised edition). 476 pages. \$5.00.

This work is based largely upon an earlier text by one of the authors ("Elements of Business Finance" by Professor Bonneville), and considerable of the material in that text, which has been used in classroom work, has been incorporated. All the material so adopted has been re-edited and brought up-to-date. There have been added a number of new chapters embracing such subjects as: surplus, dividend, and reserve policies; insuring against business risks; financing of real estate; financing expansion and selling securities.

Hold Fast the Middle Way. By John Dickinson. Little, Brown & Company, Boston, 1935. 238 pages. \$1.75.

Mr. Dickinson, Assistant United States Attorney General, and former Assistant Secretary of Commerce, in this little volume advocates a middle-of-the-road policy in the sense of a policy which gives due weight to all, and not merely some, of the factors which must work together if national prosperity is to be recovered. The author believes that we are heading for ruin if we turn back to an old policy which

closed its eyes to all but one group of interests, or on the other hand turn aside to new policies which utterly ignore those interests in favor of others equally one-sided.

He points out that there is no merit in a middle-of-the-road policy merely as such. It may, for example, he says, mean nothing but compromise with a great evil, because we are not strong enough or brave enough to combat it. Mr. Dickinson believes that the proponents of every interest—be it labor, capital, home trade, foreign trade, large industry, small industry, borrowers, creditors, government spending, government saving—always tend to push for policies and programs frankly destructive of opposing interests. Although, he says, this is perfectly natural, in the kind of world we live in today, all these interests have their degrees of usefulness which must be fitted together and readjusted from time to time for the better functioning of our common life.

"We have passed beyond the time," he declares, "if ever there was a time, for the simple solution of merely backing one force against another. The danger is that in the clash of contending interests, victories will be won by sheer force which will leave the victorious force to find that by having destroyed its complementary force it has crippled itself fatally."

Merchandising for Banks, Trust Companies and Investment Houses. By L. Douglas Meredith. Bankers Publishing Co., Boston, 1935. 382 pages. \$5.00.

This book covers the merchandising process of banks, and the author believes that bank services may be marketed on just as scientific a basis as manufactured products, if bankers will take pains to analyze every step in the process which includes market analysis, advertising, selling and publicity.

Dr. Meredith points out that financial institutions offer a wide variety of services and these services interest the consumer for a wide variety of reasons, demanding many different kinds of "appeals." Be-

tween the producer (the bank or investment house) and the consumer, there exists a wide gap which must be bridged. This means devoting careful and intelligent attention to the tastes of the consumers and to the methods by which the message of the offering institution may be conveyed to customers and prospects.

The author has been on the economics faculty of the University of Vermont and for the past year has been the state's commissioner of banking. Before writing this book he spent three years reviewing everything that has been written on the subject of bank advertising, selling or merchandising methods. In the present volume he reflects largely the beliefs of many other practical authorities.

Civilization and the Growth of Law. By William A. Robson. The Macmillan Company, New York, 1935. 354 pages. \$2.50.

The object of this book is to depict the interaction between people's ideas about the universe on the one hand, and the laws and government of mankind on the other. The author has endeavored to show how legal and political institutions have been influenced by magic, superstition, religion and science, and how these forces have been influenced by law. The volume concerns itself with the liaison which existed for many centuries between law and religion and the causes and consequences of that connection. Dr. Robson points to the fact that the influence of religious beliefs in secular affairs was gradually supplanted during the past century or two by the rational element, and cites the part of reason in abolishing slavery, serfdom, persecution for heresy, burning for witchcraft and the suppression of free speech.

In the contemporary world, the author sees a widespread revolt against reason manifested in many countries. A return to the old abuses, or others of a similar character, he warns, is manifested in those communities which prefer sacred and inviolable creeds to the life of reason as a foundation of the social order.